



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

NEW RELEASE

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New Health Savings Account to Benefit Thousands of Municipal Retirees

MONTPELIER, Vt.—As long-time Barre Town resident Jack Mitchell considered retiring two years ago, concerns regarding how he would afford to pay for his health care coverage loomed large. Mitchell had worked for 38 years for the Barre Town Schools as a bus driver and custodian. His employee retirement program didn't include health coverage. Mitchell is just one of thousands of Vermonters who now contemplate retirement without the benefit of health insurance.

Today, the Vermont Municipal Employees' Retirement System (VMERS) Board of Trustees announced a plan to create individual retiree health savings accounts for its 4,700 vested active members and retirees. The system will fund the accounts through \$5 million in surplus revenues. As a VMERS member, Mitchell says the program is long overdue.

"When I first started working, I noticed that we didn't have health insurance into retirement like the teachers and state employees had," recalled Mitchell. "I wasn't really concerned then, but as time went on and the cost of health insurance went up, I had to consider how I would pay for health care if I retired. At the time, it could have cost me as much as \$500 a month to purchase my own health insurance."

Mitchell ultimately decided not to retire, but instead to accept a new position with the Washington County Sheriff's Department as a courthouse deputy. As a full-time employee, Mitchell's health insurance is partly paid for. Mitchell says the new VMERS health savings account will be there to help him manage future health issues.

"We have been looking for a way to meet the health care needs of our retirees without getting our retirement system into the funding bind that paying for health insurance outright could cause," said VMERS Board Chair Steven Jeffrey. "We want to avoid the financial challenges so many other retirement plans have had to face as health care premiums continue to drastically rise."

The Vermont legislature created the VMERS retirement system in 1973 to cover employees in municipalities that do not have their own retirement systems. It also covers almost all school district employees, other than those teachers and administrators eligible to participate

in the state-funded teachers' retirement system. VMERS is funded solely from contributions made by municipalities and their members.

"The \$5 million to be available to vested members in July is anticipated to be the first of many deposits to the health savings accounts," said Vermont State Treasurer Jeb Spaulding, who also serves on the VMERS Board of Trustees, as well as on the state employees' and teachers' retirement boards. "As of last June, the fund had a surplus of almost \$12 million over the \$276.5 million needed for the payment of pensions."

Each vested active and retired member will receive a share of the total amount to be distributed based on the number of years they contributed to the system. One share is equal to one year of contributing service. Estimates are that each share will be valued within the \$80 to \$90 range. This means that the average member with 15 years of contributing service could get between \$1200 and \$1350 to put toward his or her retirement health costs. Until an employee retires, the money for the health savings account will be invested in the name of the individual. Upon retirement, the principal and interest earned would be available to pay tax-free medical expenses and premium reimbursements.

VMERS will only make future deposits into the health savings accounts when the system's funding position is more than is actuarially needed to fund current and future pension obligations. Currently, VMERS pays \$7 million annually in pensions for 1,241 retirees and beneficiaries. Plans are also in place to meet the future retirement needs of an additional 6,000 current school district and municipal employees.

Mitchell shares the enthusiasm of both Jeffrey and Spaulding--as a fellow member of the VMERS Board of Trustees.

"We've been working for a number of years to put something in place," said Mitchell. "I'll be sixty in October and I'll soon be thinking again of retirement. Having resources like the health savings account should help me one day afford to retire."

ICMA Retirement Corporation, an organization that currently administers almost 7,000 defined contribution and deferred compensation retirement plans for the public sector, will manage the funds. The State Treasurer's office, in conjunction with ICMA-RC, will mail out individual packets and will conduct public education meetings with eligible employees, retirees and local governments this month to ready participants for the \$5 million in deposits to be made July 1.

For more information about these meetings, contact Cynthia Webster at the Vermont Retirement Division by calling (802) 828-2302 or visit the following web site:
www.vermonttreasurer.gov/retirement/muni

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